

High Finance & Investment Colonialism

By Michael | Aug. 29th, 2023

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“Imperialism: How the struggle of both classes and nations creates our world”
Geopolitical Hour 16, August 29, 2023.

Imperialism: How the struggle of both classes and nations creates our world



RADHIKA DESAI: Hello and welcome to the 16th Geopolitical Economy Hour, the fortnightly show in which we discuss the political and geopolitical economy of our times. I’m Radhika Desai.

MICHAEL HUDSON: And I’m Michael Hudson.

RADHIKA DESAI: And we are recording this show on the last day of what may well be remembered as a historic BRICS summit, defying no end of gleeful predictions in the Western press about the BRICS’ irrelevance, disunity, mendaciousness, authoritarianism, and whatnot.

The five major countries that today constitute the BRICS, despite their relative poverty, constitute a larger proportion of the world economy, measured by PPPs, that is to say purchasing power parity.

And they have been able to come together and do some amazing things. The Western media, for example, has been trying to drive a wedge between China and Russia on the one hand, who are said to be eager to expand the BRICS, and India and Brazil and South Africa on the other, who are said to be reluctant to do so.

But despite all the predictions about the disunity and the fracas that would ensue with China having placed the inclusion of new members of the BRICS on the agenda, the fact of the matter is that the BRICS meeting has closed today, the BRICS summit in Johannesburg has closed today with the inclusion of six new members.

So that's Saudi Arabia, the United Arab Emirates, Iran, Ethiopia, Egypt, and Argentina. Given the large number of West Asian and North African members here, we can begin to wonder what this is going to do to U.S. influence in what's generally called the Middle East.

The BRICS countries have not only admitted these new members, but they have also agreed to set down the rules and procedures by which a large number of new members will be inducted, because as you know, dozens of other countries have expressed an interest in the BRICS.

So it's quite possible that the BRICS may well become the institutional foundation of the world majority, as the global South and Russia are increasingly being called. They have done more things.

The Western press has also sought to portray these countries, the BRICS countries, as little more than a bunch of autocracies or very iffy democracies.

But in fact, despite such propaganda, what we've seen in the BRICS summit is that they have been focused on presenting a very different vision of the world order, one biased on development, on people-centered development.

And this has been expressed in a direct confrontation with the Western conception of the world order, which has, of course, been dressed up in the garb of human rights and democracy, but for decades has brought only poverty and exploitation to much of the world.

MICHAEL HUDSON: Well, in many ways, this was a preliminary meeting just to set the stage for what's going to come. And at this stage, I think all the BRICS can do is to make arrangements among themselves.

And the easiest thing to do, as we've discussed before, is to trade in their own currencies and to arrange currency swaps before trying to create a new kind of bancor or other means of credit financing.

But the real problem is going to be the relationship between the BRICS and the West. How can they create a new international order that we've been discussing while they have to pay all of the neocolonial burden of their foreign dollar debt and the foreign ownership of their oil and mining rights and public utilities?

How can they enforce climate cleanup costs on foreign oil and mining pollution? The current international law says that the companies have a right to sue any government for a new tax on multinational firms or new regulations.

And so it means the government has to pay all of the cleanup costs, all of the external diseconomies. And essentially, they're put into an even worse locked-in position today than they were in the colonial period.

So how can they defend themselves from this kind of US-sponsored order and the regime change for countries that try to create an alternative to it? All that's going to have to wait for the future BRICS meetings.

And we really can't even begin to discuss that now. We've discussed what we thought in earlier episodes of this.

RADHIKA DESAI: Absolutely, Michael. I mean, the kinds of problems you're talking about, I mean, the BRICS agenda is really a very, very big and tall one. So all we can expect at the moment is that the BRICS have only made a beginning, but a beginning they definitely have made.

Like you say, you're talking about the international monetary system and the financial arrangements. And the fact of the matter is that, again, the Western press was sort of brimming with stories about how difficult, if not impossible, it would be for the BRICS to do anything that would dent the position of the dollar.

But as you know, de-dollarization is not only ongoing, but the BRICS are very aware of the need to carry it forward.

And this meeting, the summit has also closed with an agreement to set up a commission to discuss exactly what steps the BRICS countries may realistically take to begin to disentangle itself as an organization, as a grouping of countries from the tentacles of the dollar system, which have proven so adverse to their interests.

In addition, the BRICS countries have also put forward a peace plan for Ukraine, once again, emphasizing the need to negotiate. And this could not form a starker contrast to the West and the manner in which it has continued fueling a conflict for its own completely short-term interests and the short-term interests of their corporations.

So in all of these ways, the fact of the matter is that the BRICS summit are presenting an alternative, an alternative that's not just about the institutional arrangements and the technicalities, but it is an alternative vision of the world order.

On the one side, you have imperialism and economic subordination, which is what the West is offering. And on the other side, you have a world order which is based on cooperation, on peace, and above all, on development.

So as we were watching all this, Michael and I thought what we should really do is we should take a deep dive into the basics of what we are doing, into the basics of geopolitical economy, into the basics of our perspective, which in fact is very different from what is on offer in the mainstream media and even in many sections of the left, which is going to also, however, be going to also allow you to sort of see through the smoke and mirrors created by the dominant approaches.

So the term geopolitical economy, as we see it, encompasses political economy, that is to say an understanding of the domestic structures of a society, economy, and polity altogether, as well as the manner in which these domestic structures determine how every country relates to other societies in a pattern of international relationships because it's what a country is like inside that determines how it relates to countries outside.

That's why it's important to distinguish, for example, between the foreign policies of imperialist powers, such as the United States or Britain or France, from the foreign policies of other powers, whether it's China or even some powers, say like India or Brazil, which are not exactly socialist, but nevertheless, they do not have the same imperial background.

So we see international relationships as being rooted in domestic relationships. And the term geopolitical economy is therefore not just about the international, but equally refers to the domestic, not just about nations, but also about classes.

MICHAEL HUDSON: Well, the reason for all of this that Radhika and I have been discussing is that all economies today are facing similar financial problems, especially the linkage between bank credit and housing debt, problems of local financing, public financing, because states and provinces can't create their own money and credit in the way that a national government can do.

So these domestic problems interact with the international economy. And that's what we want to focus on today. At present, that means interacting with the US-centered dollarized neoliberal economy, which is subject to rules set by the International Monetary Fund and the US State Department.

And we're going to focus on how these domestic problems interact with the way in which the global economy is structured.

And that analysis is going to explain why a new international economic order is needed to prevent the global majority from having to go down the same financialized, debt-burdened economic polarization that has pushed the United States and the European economies into the post-industrial stagnation that they're now in.

RADHIKA DESAI: Absolutely. In one sense, you know, one of the things, Michael, that what you're saying reminds me of is that we talk about the world splitting into two camps. On the one hand, the camp of the old imperialist powers, and on the other hand, the camp of the world majority.

But these camps are not just essentially the same thing, just pitted against one another. On the contrary, they represent qualitatively different models of economic development. And key in this difference is, of course, that the world majority is increasingly beginning to reject the model of neoliberal, financialized capitalism.

And this has been one of the key objects of our debate.

So what we want to do is essentially, I suppose what we are saying about geopolitical economy is it's really just a sound materialist and historical way of trying to understand that the world is structured into a hierarchy of nations, a hierarchy originally created with the beginnings of capitalism and the imperialism that went along with it.

So how the world is structured in a hierarchy, but also how this hierarchy reflects the internal class relations of each country. So what we're gonna do in this show is we want to set up exactly the main ways in which our perspective differs from what other people's perspectives, the mainstream as well as certain left-wing ones.

And the best way to do it was we thought of some dozen principle ways in which our perspective differs. So we thought we would just go through them, so one by one.

So the first one is the way we think about things, we don't think that some nations are irrelevant, only classes matter or what have you, or that classes don't matter, only nations matter. We put both nation and class into a single perspective. Don't you think so, Michael?

MICHAEL HUDSON: Well, there's been a whole shift in the way people are thinking. Back in the 1960s, when I was talking to liberals and to the left-wing and Marxists, they opposed nationalism.

They were just coming out of World War II when they thought the lesson of World War II was if you have nationalism, you're going to have rivalries and that they're going to go to war, like Germany did and like the European countries did,

England in World War I, and they thought the solution was going to be an international order where everybody will be one happy family, as if getting rid of nationalism would cure the rivalries.

And what nobody really anticipated so clearly was that there has been an internationalism, but it's been a unipolar internationalism that is leading to war, is the United States has basically declared war on the whole rest of the world with 800 military bases, interfering with one country after another.

And it's been waging war almost the entire time since 1945, or at least since 1950, maybe a few years it hasn't been at war. So the fact is that today's internationalism and globalization is a war economy.

And the military spending by the United States has forced other countries to divert a lot of their economic surplus and government revenue towards military defense, instead of putting in place the infrastructure that they'd all been expected to do after World War II.

And they've also become very dependent on trade in oil, in food, monopolized technology, computer chips, pharmaceuticals that are controlled by the United States as an economic weapon to replace the overt military colonialism of Europe with a financial and international investment colonialism, all that's backed by an enormous amount of military spending.

So normally we would say that what's happened in the world is reflecting national self-interest. And that's what everybody expected after World War II. They thought that, well, economic self-interest is going to determine the shape of the world.

But what American neocons imagine is a policy that serves their self-interest turns out to have led to de-industrializing the United States economy.

Because the US self-interest is to reduce its living standards, to cut back wage levels, to polarize the economy, and to define America's self-interest as transferring as much money as possible into the wealthiest 10%.

So instead of the US self-interest being the self-interest of the 99% labor, it's a self-interest of the financial class. And that has determined the international policy that led to inviting China into the World Trade Organization to essentially use inexpensive Chinese labor as a fight against the US living standards.

There is a class element in all of this.

Bill Clinton started it all with his anti-labor moves and that linkage between international interest that sort of conceals the class interest.

And the question for the BRICS is going to be, what is your national self-interest as it affects the class interests?

RADHIKA DESAI: Michael, you're quite right to go back to the post-second World War period because in a certain sense, what you see happening in the post-second World War period, the reason why, for example, nationalism gets such short shrift, particularly in the Western discourse, is that that's the moment at which essentially the United States, in the interest of its own empire building, is trying to discredit nations.

It's trying to say that everybody should join in its own cosmopolitan vision of a single world order in which nation states sort of step back. They don't intervene in economies anymore, which allows the most powerful nation state, namely the United States, push the interests of its corporations without any restriction from other countries.

Of course, the United States did not get what it wanted, but the discursive discrediting of nationalism had to do very much with that. And of course, the fact that there had been two world wars in the recent past helped the case that the U.S. was trying to make.

Of course, the two world wars were not just caused, they were not just caused by nation states. They were also fought by nation, those nation states were also fought by other nation states. So there were nation states on both sides.

So, but nevertheless, somehow the United States tried to equate nationalism with Nazism and that sort of thing.

But in reality, there was another fact of that moment in history that would not allow nations to go away. And that was the decolonization of the countries that had been colonized by the various European powers.

So this decolonization essentially put a positive spin on nationalism because what these newly independent countries were going to do was they were going to essentially have left leaning, socialistic forms of development in which the state, representing the vast majority of the people, many of whom, the vast masses that had fought for independence and so on.

The state representing the interests of these people would try to fashion a form of development that would serve the interests of the whole community.

So it's not just that, say, for example, that China or Vietnam became communist, but also countries like India or Mexico or Brazil or what have you were all pursuing forms of many African countries.

They were consciously pursuing forms of development that was supposed to be in the interest of the vast majority of the people. So in that sense, there was both a certain type of cosmopolitanism, which was in the service of the continuation of imperialism in a new form, what Kwame Nkrumah called neocolonialism, was standing side by side with the positive interpretation of nations and nationalism.

MICHAEL HUDSON: Well, the U.S. sponsored kind of internationalism really is finance capitalism.

And nationalism tends to be industrial, because you want to build up your independence. You want to be self-sufficient in food. You want to be self-sufficient in basic essentials.

And you need governments to take control, basically to provide the public infrastructure, the natural monopolies, communications and health care and education.

You want to build up your productivity by technology, and often this requires protective tariffs and capital controls and subsidies to new capital investment,

research and development. And that involves the government lowering the cost of production and the cost of living by providing basic needs.

And finance is not really a class. Somehow finance is not a class in Marx's sense, because it's external to the economy of production and consumption.

And all classes, everybody's a saver and a debtor. All labor is financialized, just as the industry is financialized. And the infrastructure has been financialized instead of socialized, as people had expected in the 19th century.

So in that sense, finance works from outside of the economy, including the international economy. And Marx explained in Volume 3, the dynamics of finance and its debt creation are mathematical and external to the dynamics of the real economy of production and consumption.

So what's unique today, and this was not anticipated in World War II, is that finance can actually replace industrial capital as the main resource allocator, the main central planner, away from government. And the problem with all this, of course, is that finance capitalism tends to minimize the role of government.

So as to replace it and to shift economic planning into its own hand, Wall Street and other financial centers, and its means of control are via international financial organizations like the IMF, the World Bank, the SWIFT system, the Bank for International Settlements, and even the International Criminal Court that criminalizes any attempt to withdraw from this financial system.

RADHIKA DESAI: Right, and so one of the things that, you know, in trying to talk about nations as well as classes, domestic as well as international, that we often run up against is this idea that somehow Marx thought that, you know, capitalism was inherently internationalist and sort of worldwide, cosmopolitan, shall we say, global, shall we say.

And of course, socialism should be that way. So nations are to be completely, you know, they're sort of a regressive atavistic thing which we should try to suppress as much as possible.

But this, in fact, is not true. You know, what, Michael, you were saying about how it is necessary for the state to play a major role in development, Marx understood that very well.

So there is this very important saying, you know, Marx is supposed to have come down in favor of free trade in the debates on Corn Laws, but it was a very conditional type of kind of endorsement of free trade because Marx thought that, you know, if free trade hastens the development of capitalism, then maybe we should have free trade.

But in the same set of writings in which he endorsed free trade, he also pointed out the following. And this is where it's a quote, "If free traders cannot understand how one nation can grow rich at the expense of another, we need not wonder. These same gentlemen also refuse to understand how one class can enrich itself at the expense of another."

So this is a very clear placing of class and nation together in the same frame. One classes exploit other classes and nations exploit other classes. So it reveals that Marx is very aware of the structures of imperialism.

And equally, as we've talked about many times, Marx was also very aware that in order to develop, states must play a major role. They must implement tariffs to protect their infant industries from competition against which they are not yet able to stand up.

They must create the credit conditions and the financial conditions for the expansion of productive enterprises and so on. So already for the development of capitalism itself, the conditions that are required so require state intervention that any notion that there is such a thing as free market capitalism, etc., goes out the window.

And of course, the other thing that geopolitical economy also points out is the reason why even in capitalist countries, states always must play a central role is because capitalism is inherently contradictory and you cannot have a capitalism, you know, continue for any length of time without the state playing a major stabilizing role.

So that is why with the development of capitalism, you don't just get the development of classes, you also get the division of the world into the modern nation state system.

So class exploitation occurs, but so does national exploitation, because essentially the early developers, the early capitalist developers inevitably also become imperialist because the capitalisms are contradictory.

They try to subordinate other territories, which then, that subordination helps them to deal with the contradictions of their capitalism, whether it is to find outlets for excess commodities and capital or to acquire cheap labor and cheap raw materials, which capitalism needs evermore as it expands.

And so finally, what this also shows is that because capitalism prompts imperialism, nationally focused development becomes the essential prerequisite of any form of development for many countries, which is why quite early in the history of capitalism, we're looking at the early 20th century, so really about a century or a century and a half from the beginnings of industrial capitalism, you already have the appearance of the first socialist challenge to capitalism in the form of the Russian Revolution.

So in that sense, these are countries that are essentially saying we cannot have subordination to imperialist, capitalist, imperialist countries. We do not have any prospect of developing capitalism. So we are going to develop on a socialist path already.

MICHAEL HUDSON: Well, if you recognize the reality of imperialism, this implies an entire different body of economic theory.

And I had to begin teaching economic theory in 1969 at the New School, and I really hadn't studied it all the way through my graduate courses because most universities found it just too silly to teach.

The free trade theory assumes that everybody gains from trade and that all trade is voluntary and it's all a choice free market and that an absence of tariffs is going to make economies more equal and more competitive.

And that's just the opposite of how the world economy actually works, because the real effect of free trade is that the dominant countries all became dominant by protecting their industry.

First, Britain and then the United States and Germany in the 19th century were highly protectionist. And once they had government subsidized industry, they then told other countries, don't do what we did. Don't have government protection. Just buy in the cheapest place. We will give you food and industry and everything that you need much cheaper because we already have the capital in place and you don't.

And the result is that there was a polarization of the economy. I describe all of this in my book, Trade Development and Foreign Debt, which is a history of basically not only free trade theory, but how it was controverted again and again by British, German and American economists.

All of that is now expurgated from the classical curriculum.

And the real result of free trade is when countries are forced into a trade deficit, their currency is going to decline and then they have to go to the International Monetary Fund that comes in and it imposes austerity and specifically anti-labor policies.

The IMF's role is to aim at what Bill Clinton aimed at when he invited China into the World Trade Organization.

You want to keep a pool of labor, what Marx called the reserve army of the unemployed, not in the United States, but in the non-industrialized countries that basically are kept devaluing the price of labor throughout the world.

And that turns the phenomenon of U.S. centered imperialism into a global class war.

RADHIKA DESAI: Right, Michael, so shall we go on to the next point we want to make, which is that we should, that geopolitical economy permits us to understand class and national exploitation together, just as we put class and

nation together in the same frame, we also put class and national exploitation in the same frame.

And this is exactly so. You have class exploitation within a country that produces a certain kind of class power within a country.

So at the international plane, what geopolitical economy explains is that the attempt by some powerful countries to subjugate other countries creates the structures of imperialism.

So you have to understand the two together and both forms of exploitation, that is to say, class exploitation and the exploitation of other nations, produce contradictions because capital essentially, contradictions mean that capital would like usually to have its cake and eat it too, to have something and its opposite.

And it can't always have that. So within a country, class exploitation produces a resistance from the working class. It produces crisis of underconsumption and overproduction. It produces crisis of falling rates of profit and all these things.

And internationally as well, international exploitation also produces resistance to it, which is why you have, for example, the formations like the BRICS or Struggles for National Independence, as we had in the early part of the 20th century, the non-aligned movement and today the BRICS and all these institutions, they're not perfect.

They are far from adequate to what is needed, but they are steps in the direction of resisting imperialism and imperial exploitation, just as trade unions and political parties are steps towards resisting class exploitation.

MICHAEL HUDSON: So our ongoing discussion of the BRICS and the U.S. sanctions and the U.S.-NATO war against Russia and China is all about what policies countries can take to liberate their economies and their governments from the U.S. attack.

The U.S. called any government protection interference, as if the United States does not interfere.

Any defense is called interference and a distortion of the market, as if the market is set by U.S. central planners on Wall Street and in the State Department to create a world in which the United States will suck all of the surplus from the rest of the world into its own economy, as if this is natural.

And if you recognize that the essence of this unipolar U.S. strategy is finance, that that's not necessarily military. Obviously, they're going to grab the oil of Syria, grab illegally the oil of Iraq. But it's by finance that they can operate much without the military overhead.

Well, then this is why we focused on de-dollarization and what that means in practice, starting with the most obvious policy, simply avoiding the use of the dollar and pricing trade in their own currencies, making swaps.

The question is, how are they going to go on to the next stage? That's really going to be how it involves restructuring their domestic economy as well as the international economy.

RADHIKA DESAI: Yeah. And, you know, taking imperialism seriously also, I mean, the reason why we emphasize this is that in so much of the dominant discourse, you have, imperialism is completely erased.

Like, for example, I was listening to all the commentary on the BRICS in the mainstream press.

And as I was listening, I thought, OK, so these people are comparing BRICS and the G7 and BRICS and the G20 as though there is no history of imperialism, as though the G7 is not, in fact, a collection of the former imperialist countries and still would-be imperialist countries that are trying to to control the world.

So in so recognizing imperialism requires jettisoning all those sanitized expressions. For example, instead of talking about U.S. imperialism, people use terms like U.S. hegemony.

The U.S. has never achieved anything like hegemony, as I've argued in geopolitical economy. But what we do have are ceaseless attempts to try to

achieve that, which have been very destructive, which have caused ceaseless wars around the world and so on.

You have terms like globalization. I find it so appalling that the term globalization became so popular, not just in the mainstream, but also among many who call themselves critical and even Marxist scholars. Why is that?

Because they use terms like globalization or rather by using terms like globalization, what we are completely forgetting is that this is an attempt to force the rest of the world to open up to the imperialism and corporate power of the West.

All the free trade and free markets is not necessarily for the West. It's there to open up the rest of the world's economies, the poor countries, so that they are available as markets and investment outlets, but equally importantly, as sources of cheap labor and raw materials.

And for example, also the use of the term globalization also means that you have to say that from the late 20th century onwards, you got a second wave of globalization, whereas in the late 19th and early 20th century, there had been a previous wave of globalization.

What are you talking about? That was not a wave of globalization.

That was a wave of imperialism and the competitive imperialism that was in train at that time, that was occurring at that time, culminated in the First World War and eventually also the Second World War, because the Second World War occurred ultimately, because at the end of the First World War, the Versailles, so-called Versailles settlement, settled nothing.

It simply laid the groundwork for a new war to emerge. So taking imperialism seriously involves recognizing that.

It also involves recognizing that today's discourse of human rights and democracy and so on is just the dressed up, the old discourse of the civilizing mission and the white man's burden and so on in a new dress.

So it involves recognizing and seeing right through that, which unfortunately too many people don't do and which is why we feel we need to keep saying this.

Also, the idea of the rules based international order. The fact of the matter is, and this is also quite interesting, because if you take imperialism seriously, you would recognize that the United Nations itself is the formation of the United Nations and the Charter and so on were themselves the result of the struggle of the vast masses of the people and nations of the world against imperialism, the recognition of sovereign equality, etc., even though they were compromised.

But the fact that they had to be recognized in principle and only then compromised was an achievement of these groups and institutions like NATO were created precisely because the imperialist countries did not want to have to deal with the unwashed masses of the world in institutions like the United Nations.

And one final point, you know, back in the day, in the early days of capitalism and well into the 20th century, the Western world, the imperialist world set a standard of civilization.

They said that if a country meets the standard of civilization, which means if they are another imperialist country, then they will be dealt with, you know, with all the respect due to another sovereign country, you know, with limits on how they would be dealt with in war as well as in peace and commerce and so on.

But of course, this did not include the vast majority of the countries of the world that were regarded as uncivilized against whom anything could be done. The most brutal acts of warfare, the most life-threatening sanctions and so on could be used.

And this kind of thinking continues. It doesn't take that name, but in the name of human rights and democracy, when sanctions are imposed on people, this is just a new standard of civilization being imposed. So taking imperialism seriously involves recognizing all these things.

MICHAEL HUDSON: Well, I think that what neither Marx nor even Lenin anticipated after World War I was that the most problematic international disturbance was going to be not private sector debt but intergovernmental debt.

And that's what led to the, you just mentioned, the Treaty of Versailles, which really meant something radical that Europe had never experienced after any of its wars, the Napoleonic Wars and the early wars.

All of the allies would forgive all of the mutual support and the cost of fighting the war together. And they expected that the United States would, there were not going to be any inter-ally debts.

But the United States said, well, before we entered World War I, we let you fight it out, you know, so we could come in, send a few troops and then claim that we saved it all and you owe us a lot of money.

You owe us so much money that you're going to, you European countries are going to have to go into depression for the next 20 years. But a debt has to be paid.

And the Europeans said, well, our whole Western civilization is based on the principle that all debts have to be paid. If you say we owe you the money, we're willing to go into 20 years of depression.

The silver lining is this is going to really hurt the labor force and we can hold them down and we can get even, the class war will be won in Europe and we can make Germany pay.

And Germany was the number of the most potentially industrialized continental European country. Germany was the country that had the most industrialized banking system. And Europe, the Allies were just as happy to crush Germany in order to get the money for the Allies to pay the United States foreign debt.

That's what my whole Super Imperialism was about that. And I don't need to go over it here again. But all of this role of government, not as leading to socialist development, but as the leading of finance and through government as the mode of imperialism, even more than the private sector, was completely unanticipated.

Even Marx, when he gave a speech before the Chartists in the mid-19th century, said, strangely as it might seem, he endorsed free trade with India because he said the structure, the dynamics of industrial capitalism are so powerful that it's a new mode of production and it's going to modernize the backward countries like India, Asia, Africa, South America.

He thought that somehow British trade and other capitalist countries trading with the rest of the world was going to involve replicating their system and making them industrial capitalist countries too, leading to a kind of equality that would all end up moving towards socialism ultimately.

But that isn't what happened. Instead, the trade has imposed backwardness on countries by supporting client oligarchies, supporting military dictatorships, and making them trade dependent, not independent, and most of all, preventing their governments from playing the role that governments played in the industrial capitalist takeoff in England, Germany, and the United States.

This is providing basic infrastructure and natural monopolies for the private industrial sector. Well, finance capitalism has basically taken these infrastructure investments and made them all financial exercises.

Nobody expected that countries would all move against what was the financial, the economic self-interest of industrial capitalism to be something as twisted as what's actually emerged from World War I and especially World War II, and especially the Korean and Vietnam wars of the United States that led to the dollar standard.

RADHIKA DESAI: Well, you know, Michael, I think you made two points about Marx and what he thought, which I find I couldn't quite agree completely. In fact, I couldn't quite agree.

Because, first of all, you talked about how you thought that Marx thought that capitalism and imperialism were going to develop India. That is not so.

In fact, if you read the pamphlet, "The Future Results of British Rule in India", Marx ends by saying that, and not only he qualifies this by saying that the British

are not doing this out of any kindness of their heart or anything, but that you and I know, I don't think you would disagree with that.

But he specifically points out that the only way in which India will really enjoy the fruits of development is if there is a socialist revolution in England or equally if India gains independence.

So there is absolutely no doubt in my mind that while Marx thought that there would be some inadvertent forms of development in India, he actually, even back then, you know, in the early, late 1840s and early 1850s, Marx was very clear that national independence was a prerequisite to development for the reasons exactly that you have recognized.

All I want to say is Marx recognized it too. And of course, what I've shown in various of my writings is that Marx actually understood very well the centrality of the role of the state in economic development.

And then the second point, I think you, of course, rightly point out that Marx did not anticipate the governmentalization of finance. I mean, at one level, I agree with you, but then, you know, it's a bit like saying that Aristotle did not imagine that there were airplanes, you know.

In a certain sense, it's really worth reflecting on that a little bit, because I think you raise some very good points.

So basically if you look at what Marx, Marx's conception was, you know, what would how would capitalism develop and why was socialism necessary and how would it come about?

Essentially, what Marx is saying, if you examine this clearly and I bring this out very clearly in my latest book, *Capitalism, Coronavirus and War*, in a fairly long discussion about this, what Marx is basically saying is that capitalism requires competition, competition naturally results in monopoly.

And once a capitalist economy reaches the monopoly phase in which most sectors of the economy are dominated by one or a small number of big corporations, at that point, society will have become ready.

Capitalism will become ready for socialism. It will because it's very simple. What he's saying is that insofar as capitalism is historically progressive, insofar as capitalism, by dragging humanity through much mud and gore and by creating a lot of misery and anarchy, nevertheless develops the forces of production.

It is because of the virtues of competition. But once competition is no longer there, there is no reason to keep capitalism.

So capitalism had already reached its monopoly phase in the early part of the 20th century. And since then, essentially, humanity has been suffering the cost of keeping capitalism alive in a small number of countries, you see.

MICHAEL HUDSON: Well, you're absolutely right about what Marx said, that there had to be a revolution. But he said a revolution is what industrial capitalism is all about.

He said industrial capitalism is revolutionary because in England and Europe, it's gotten rid of feudalism. It's the strategy of industrial capitalism is to free economies from the landlord monopoly, from the landlord class and from predatory finance.

So when he said he expected capitalism to spread to the rest of the world, he meant the capitalist revolution against backwardness, the revolution against feudal monopoly and the revolution that he thought would indeed lead to socialism.

So you're right. Marx took an overall broad social view of economics and didn't just limit economics to prices and incomes. It was a transformation of society that Marx thought was going to appear towards socialism.

And that's what has been [derailed] by World War One and everything the last century has seen.

RADHIKA DESAI: We're going to have to reserve this point for our discussions of rent, because I think that the revolution you're talking about is already Ricardo's point. And then Marx, of course, goes further than that.

But let's go on. So, of course, we also have already pointed out our next point, which is that our understanding is much closer to Marx, as you will have seen in our discussion we just had about the finer points of Marx.

And the key point that people forget about Marx, even many so-called Marxists, is that Marx understood that capitalism was contradictory. This is often forgotten.

And if it wasn't contradictory, then we wouldn't have to get rid of it and we wouldn't have imperialism. But both of these things are true.

The next point, then, is that we understand that capitalism is contradictory and crisis-prone.

MICHAEL HUDSON: The crisis of today's finance capitalism is not one of domestic overproduction within the production and consumption of the real economy. It's turned out to be debt deflation.

And internationally, the foreign dollar debt burden has become a kind of neocolonial leverage to impose austerity, as we've said, and other anti-labor policies on the non-US economy.

So the kind of crises and internal contradiction that the international economy is suffering now, as it's being polarized, is not basically what Marx talked about in Volume One. Although if you read Volume Two and Three, you can see his focus on finance. Certainly I filled that out.

So let's talk a bit about what this crisis is and the way it's taking form today.

The United States government is the world's largest debtor, and it says, we're the unique nation. We're the only country that does not have to pay our foreign debt. And in fact, there's no way that the government foreign debt, which means the bank reserves of the whole rest of the world that are kept in dollars, none of this can be repaid.

It's just they can trade it with each other, but they're never supposed to ask to be repaid. Only the U.S. private sector and the U.S. government can ask other

countries to repay their debt.

That is the internal contradiction that has driven the world economy apart and is splitting it and is forcing other countries to either face permanent sort of neo-feudal dependency on the United States or to say, well, we get to develop, too. It's not going to be just the monopoly of the European garden keeping our jungle as a jungle.

So I think the basic point that we're making is that the global majority needs public investment in infrastructure. It needs to modernize the economy and it needs to create prosperity.

And that means freeing their economies from U.S. dollar debt. It's bad debt in the sense that it can only be repaid by siphoning off their economic surplus, by forcing them into bankruptcy financially and by stifling their growth.

That's the contradiction, that the European garden can grow and the jungle cannot grow because any growth that it has is going to take the form of paying debt service to holders of U.S. dollar bonds, including their own domestic oligarchy.

Most dollar debt of Argentina isn't really owed to the United States, although it's in dollars. It's owed to the Argentine ruling class that holds its debt in the form of dollars. While it wrecks the Argentine economy, it's been doing that now for an entire century.

That's why I was a little surprised to see Argentina included in the new members of the BRICS yesterday. I'm not sure exactly how you can have Argentina as a full-fledged BRICS member as long as its oligarchy supports the United States and remains in control of the government.

RADHIKA DESAI: Well, that's a very interesting point, Michael, and I would say that it's very likely that that oligarchy itself has become considerably less powerful and it is also itself running out of options. It can no longer rely on the United States, but we will have to see.

But I just want to come back to many of the points you were raising. So the point we're making is that capitalism is contradictory and crisis prone. And one of the things you pointed out is that, you know, somehow the garden is growing and the jungle is not.

But the reality is the opposite. The reason why this BRICS summit is so historic, the reason why the West is essentially so afraid of what's going on at summits like the Johannesburg summit is precisely that the so-called garden, the European countries, the imperialist countries have been trapped in a syndrome of slow growth for the last several decades.

Whereas these other countries, China in particular, which is why, of course, every opportunity is taken in the Western press to tell you why China's growth is going to end very soon.

But China, of course, and many other of these so-called jungle countries or what Trump used to call shithole countries, those shithole countries are doing much better than you, folks. So this is, of course, a major issue.

But I also wanted to say, you know, I completely agree with you that the current that at the this moment of crisis in the world. And I would say that, quite frankly, we've been living in a crisis ridden world for the last many decades, really going back to the 1970s, because that crisis that hit in the 1970s was never resolved.

Neoliberalism was trotted out as a solution to the crisis, but it never resolved the crisis. It never restored capitalism's vigor. And instead, it simply saddled the world economy with the debt that you're talking about and with the financial speculation and financialization that you're talking about.

But if you're trying to understand the whole crisis, I would say, first of all, that any given crisis is never any one thing.

Of course, there is a financial crisis today. But today's crisis is composed both of today's crisis is composed of a financial crisis. But there is also an underlying productive crisis, a crisis of low investment, low growth, low profits, et cetera.

Furthermore, there is a crisis of not sufficiently expanding demand, which has been with us for a long time.

So, you know, one of the ways I've tried to deal with this is that, you know, Marx and I've actually in my latest book, I have the most developed form of that table. I've actually created a table, you know, because in capitalism, there are at least two forms of crisis.

One is vertical, that is, it has to do with the exploitation of the working class by the capitalist class. And the other is horizontal. It has to do with the various ways in which various capitalists relate to one another, namely via competition.

So both the mechanisms of competition and exploitation lead to crisis and they lead to crisis in practically every sphere that capitalism requires for its existence.

So there are the two core spheres of value production, namely production and exchange or markets, basically the production and markets. And there you have four different forms of crisis that can occur, contradictions that occur.

And then there are other realms that have to be transformed in order for capitalism to exist. Capitalism must create money. It must create credit mechanisms. It must have a state. It must relate to the environment and so on, essentially by privatizing it.

And of course, then once you create states, there are international relations. So in practically every one of these spheres, there are forms of crisis.

There are monetary management can lead to deflation or it can lead to inflation, etc., etc. There are many crises, there are credit crises and so on.

So there are many forms of crisis. And any given capitalist crisis is usually a concatenation of several different crisis mechanisms that are working at the same time.

But nevertheless, yeah, I mean, having said that, I completely agree that capitalism is crisis prone and contradictory.

And today, the financial crisis we have today is underlain by a crisis of the productive system itself, which is partly also why finance accumulates, because it's when you don't have enough investment opportunities, productive investment opportunities that people hold back their money and they invest in speculation rather than production.

It's when companies are not borrowing to invest productively that you have to go out and find all the workers who will borrow from you in order to finance their cars and their education and their houses and so on.

So underlying this, there is a productive crisis as well. But yes, on top of that, productive crisis has been built over the last many decades, layer upon layer of financial crises.

MICHAEL HUDSON: Well, you can see the crisis in the United States. Why cannot there be investment in the United States?

The largest companies, the Standard & Poor's 500, have spent 92 percent of their profits of their net income on stock buybacks and on paying out of dividends. Only 8 percent is to invest.

They can't find anything to invest in. Apple has said we cannot find a single penny to invest. So we're paying more money in stock buybacks and dividends than we're actually investing. We're asset stripping.

And finance capitalism is primarily extractive. It has loaded the economy down with debt so much by debt financed housing, by making its labor have to earn a high enough wage to pay its housing debt, its education debt, its automobile debt, its credit card debt, that it's unemployable.

So, of course, there are no investment opportunities left in the United States and Western Europe. That's why the garden is deindustrializing and is going to turn into a jungle, because the only way that you can make money is financially by asset stripping, by deindustrializing your economy, by cannibalizing it.

And that's the clearest in the U.S. and British economies. That's what Thatcherism and Reaganomics is all about.

RADHIKA DESAI: Absolutely. And we are nearly at an hour. So I think it's just as well because we are down to our final point, and that is that we understand in this show, in this geopolitical economy hour, that imperialism is declining.

It's very fashionable to show how radical you are by saying that, you know, imperialism was always very strong and it's either just as strong today as it ever was or stronger today than it ever was.

But the fact of the matter is that the large part of the present crisis, among the many contradictions of capitalism that are part of the present crisis, is the simple fact that imperialism has been declining for a very long time.

And today it has reached a point, a very critical point, where it looks as though the kind of control that the imperialist countries could exercise over the rest of the world is slipping from its grasp.

MICHAEL HUDSON: Well, down through World War I, the German banking system was highly industrialized. It was working efficiently with governments and heavy industry.

But that's not the way the rest of the world went. It took the Anglo-Dutch-American system. And it's declining because the system basically is like that of the late Roman Empire.

It created great wealth for the wealthiest 1% or the 10%, but it impoverished the 90%. And if you're going to impoverish the market, then you're going to have the kind of crisis that Marx described.

And yet Marx did not think, see that it would, nobody anticipated that it would be a financial crisis, because Marx hoped that industrial capitalism's self-interest would lead it to prevent finance from operating the way it used to, by what he called usury capital, and actually become productive.

The Western economies since World War I have erased the whole distinction between productive and unproductive investment, productive and unproductive labor.

The GDP and national income accounts don't draw any distinction between production and what is really a transfer payment to the rentier sector, to the finance, insurance, and real estate sector, or to monopolies.

So there's not even a way that the seemingly empirical statistics can explain why imperialism and why finance capitalism is declining.

RADHIKA DESAI: Yeah, and you know, too, and again, there's just so much to say here, but we'll just end by a couple of more points.

But you know, imperialism essentially is declining the way I look at it, because, you know, think about it this way, the high point of imperialism, since which point it has been declining gradually, too slowly for me, but nevertheless declining, is 1914.

1914 was the high point of imperialism. In the previous decades, not only had Britain acquired its big empire, but a number of other countries appeared that they'd also tried to acquire empires. And so the world was essentially divided up into these big empires.

So that was a high point of imperialism. But it was also the moment at which the big crisis of the imperialist world order broke. The wars between the imperial powers substantially weakened them.

And then that, combined with the rise of communism and the struggles for decolonization in third world countries, essentially put the world onto the long and slow road of the decline of imperialism and so on.

But that moment also coincided with, I would say, the peak of capitalism, according to Marx anyway, because really, by this point in time, capitalism in its homelands had already entered the monopoly phase.

At that point, capitalism really didn't have that much more to give to the rest of the world, I mean, to the world in general. That is to say, it had done what it could in terms of developing the forces of production.

And now the point was that they would be better developed if we had other forms of production, socialists, whatever, some or the other version of socialism.

And this was, by the way, witnessed when you saw that the Soviet Union, once it was stabilized, it managed to become the second industrial power in the world in a matter of decades. From being the most backward country in Europe, it became the second industrial power because it showed you what planned production could do.

So and also, of course, the very fact that capitalism had reached the monopoly phase and what Hilferding called the finance capital phase in which large banks essentially controlled vast swathes of the productive apparatus.

Essentially, what this told you is that the moment for planning had already come because that's what a big corporation is. It's a giant planned economy.

So the only question that arises is why should we allow these giant planned economies which only exist because of our labor, which only exist because we create the laws and so on that allow them to exist. So why not socialize? And that was a sense in which the moment for socialism had come.

And so, of course, we have had now socialistic experiments as well. And they have also stood up against capitalism.

But the point is that in the homelands of capitalism, what we are witnessing today is the cost that both the working people of these countries, as well as the rest of humanity, is paying for keeping capitalism alive in these countries.

Coming back to the BRICS in closing, one cannot but be aware that most of the countries of the BRICS are not socialist. But the interesting thing is that in practically every case, you can show that where they have done well, where they have alleviated poverty or industrialized or what have you, they have done so by the adoption of non-capitalist means.

And it is the freedom to adopt such means, which is the crucial issue at stake in the confrontation between this group of countries and the G7.

MICHAEL HUDSON: Well, I think what we've been describing is that U.S. imperialism has backfired to destroy its own economy. And above all, by de-industrializing and de-unionizing the labor force, by focusing on external exploitation of what America can get from other countries.

Instead of creating an economic surplus at home and within, the United States has followed the same kind of self-destructive dynamic that destroyed the Roman Empire.

It cannot re-industrialize, leaving the debt overhead in place any more than the BRICS countries can industrialize without freeing themselves from their foreign debt overhead.

Because the financial system has priced U.S. labor out of world markets as a result of making labor pay for what we've described all along, the housing, education, health care, et cetera.

And yet the economic historians now say, well, you know, there really wasn't a dark age, because the wealthiest 1% of Romans in the late Roman Empire got so rich that the economy actually grew. It's true that 99% of the labor were reduced to serfdom, but that 1% actually made a growing economy.

Well, that's what seems to be happening in, that's Bidenomics. That seems to be what's happening in the U.S. economy now. The wealthiest 1% to 10% are making so much money that it exceeds the deprivation and the indebtedness and the reduction and shrinkage of the 99% economy.

And so the only hope that the United States has of maintaining this kind of prosperity for the wealthiest financial class is to freeze the status quo, to block any kind of active government policies that promote labor and industry at home or abroad.

And the industrial capitalism today is a dinosaur. It's what was leading the late 19th century onwards to what seemed to be socialism. But instead, we've got finance capitalism.

And if you have knowledge, if you explain what we're going to be doing in the coming shows of how this mixed economy strategy, every economy that's developed has been a mixed economy with the government to play a major role.

If you let the private financial interests take over this role of government, you're going to have the kind of shrinkage that's de-industrialized the U.S. economy.

And that role of government has to be the core focus of how the BRICS economies are going to develop. And that requires freeing themselves from the dynamics of finance capitalism and finance imperialism that we've been discussing throughout all of our shows.

RADHIKA DESAI: Yes, exactly, Michael. So let me just bring this to a close by making one final comment, which is really many of the secrets of what is the United States, when what is the United States is a long list of industrial decline, financialization, inequality, social breakdown, political lockdown, you name it, cultural decay.

All of this is happening. The one clue to understanding why all of this is happening is that the United States got its chance to try to be the leading imperialist country and grabbed it with both hands precisely at the moment when imperialism was actually declining.

So with that thought, let's just let's bring this to a close. We will be back in September, hopefully with many other interesting shows. So until then, thanks for watching and looking forward to doing this again in a few weeks. Bye-bye.

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